

## Message Text

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ACTION ARA-10

INFO OCT-01 EUR-06 EA-07 ISO-00 EB-05 DRC-01 RSC-01 /031 W

----- 081947

P R 011333Z MAR 74

FM AMEMBASSY BOGOTA

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC 1539

AMEMBASSY MADRID

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMCONSUL CALI

AMCONSUL MEDELLIN

LIMITED OFFICIAL USE SECTION 1 OF 2 BOGOTA 1773

PASS EXIMBANK

EO 11652: NA

TAGS: BEXP CO

SUBJ: COUNTRY COMMERCIAL PROGRAM (CCP) - PROPOSED ACTION PLAN  
FOR WINNING AWARD OF CONTRACTS FOR TUMACO AND BARRAN-  
CABERMEJA REFINERY PROJECTS

REF: A. BOGOTA 10356; B. BOGOTA 0431; C. BOGOTA 0432

1. SUMMARY. EMB PROPOSES ACTION PLAN TO WIN AWARD OF CONTRACTS ASSOCIATED WITH GOC PROGRAMS FOR ERECTING NEW OIL REFINERY COMPLEX AT TUMACO (TOTAL COST USDOLS 120 MILLION) AND EXPANSION OF EXISTING BARRANCABERMEJA OIL REFINERY COMPLEX (TOTAL COST US 125 MILLION). PLAN INCLUDES OFFER ON USG ASSISTANCE TO FOSTER WHEELER, WHICH IS ONLY US BIDDER ON TUMACO REFINERY AND EVENTUAL SIMILAR OFFER OF ASSISTANCE TO BIDDERS ON PROJECTS IN BARRANCABERMEJA EXPANSION SUCH AS NEW BALANCING PLANT AND AMPLIFICATION OF EXISTING POLYETHYLENE PLANT AT BARRANCABERMEJA. DOW IS CONCLUDING CONTRACT NEGOTIATIONS FOR ENLARGEMENT OF EXISTING LOW-DENSITY ETHYLENE PLANT. THOUGH BID DEADLINE FOR TUMACO REFINERY IS MAR 5, DEADLINE COULD BE POSTPONED. MOREOVER, MOST CRUCIAL PERIOD IN MANY RESPECTS IS TWO MONTHS FOLLOWING CLOSING

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OF TENDER WHEN ECOPETROL (STATE OIL CO) WILL MAKE ITS TECHNICAL

AND COST EVAL PREPARATORY TO ANNOUNCING AWARD. END SUMMARY.

2. ACTION REQUESTED: COORDINATION BY USDOC AND EXIMBANK TO CARRY OUT PROPOSALS IN ACTION PLAN. END ACTION REQUESTED.

3. OBJECTIVE 2.22.G ANNEX, COLOMBIAN CCP, INSTRUCTS EMB TO SUPPORT EFFORTS OF US FIRMS BIDDING ON TUMACO OIL COMPLEX. OBJECTIVE 2.23.B CALLS FOR SIMILAR SUPPORT ON EXPANSION OF BARRANCABERMEJA REFINERY COMPLEX.

4. BACKGROUND ON TUMACO AND BARRANCABERMEJA REFINERY COMPLEXES:

5. BACKGROUND ON TUMACO REFINERY COMPLEX. PREQUALIFIED BIDDERS ARE FOSTER WHEELER, JAPAN GASOLINE, CHIYODA, SNAM PROGETTI, HUERTEY. FLUOR PREQUALIFIED BUT DECLINED BID. PROPOSALS DUE MAR 5 ON 75,000 BARREL PER DAY TOPPING PLANT COMPRISING CRUDE UNIT, VACUUM UNIT, VISBREAKER UNIT, PLATFORMING, FLUID CATALYTIC CRACKING AND TREATING UNITS (MEROX) TO PRODUCE NAPHTHA, GASOLINE, KEROSENE, DIESEL, GAS OIL (FCC), AND REDUCED CRUDE. PLANS FOR MARINE INSTALLATIONS AND OTHER INFRASTRUCTURE DESCRIBED REFS B AND C. ECOPETROL WILL ISSUE TENDER FOR AROMATICS PLANT (230,000 METRIC TONS ANNUALLY) AT INDEFINITE DATE IN FUTURE. TUMACO REFINERY PROGRAMMED TO COME ON STREAM DEC 1977.

6. OFF-SHELF DESIGNER FOR TUMACO IS UNIVERSAL OIL PRODUCTS CO., 30 ALGONQUIN ROAD, DES PLAINES, ILL 60016. PRODUCT MGR IS DARIO CARNEVALE (TEL 312-763-6000). CARNEVALE RECENTLY TOLD COMATT ABOUT MEETING HELD EARLY FEB IN DES PLAINES FOR REPS ALL FIVE BIDDERS. MOST AGGRESSIVE QUESTIONS CAME FROM SNAM PROGETTI AND FOSTER WHEELER. HUERTEY RELATIVELY PASSIVE. JAPANESE, DESPITE DOZEN REPS, MUTE EXCEPT FOR BRIEF QUERIES ABOUT PAGE NUMBERS. JAPANESE ARE CONFIDENT, HOWEVER, BASED PARTLY (ACCORDING JAPANESE REPS) ON TRANSFER VALUE OF EXPERIENCE GAINED ELSEWHERE IN LATIN AMERICA. SINCE CHIYODA REPORTEDLY WON ESMERALDA REFINERY IN ECUADOR (THOUGH WE UNDERSTAND AWARD MAY NOT BE FIRM), TRADE BELIEVES IT IS NOW JAPAN GASOLINE'S "TURN", A SPECULATION VIRTUALLY CONFIRMED TO COMATT BY LOCAL MARUBENI REP. JAPAN GASOLINE REP IN COLOMBIA IS FORMER MINES MINISTER GUSTAVO ARRIETA, NOW VISITING JAPAN ALONG WITH ANTONIO GENADO, FORMER FINANCIAL VICE PRES OF ECOPETROL, AT PRESENT LIMITED OFFICIAL USE

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ALSO REP FOR JAPAN GASOLINE. HIGHLY RELIABLE SOURCE TOLD EMBOFF IN CHARGE PETROLEUM AFFAIRS THAT ARRIETA ONCE KEPT PRES CARLOS LLERAS FROM FIRING ECOPETROL PRES MARIO GALAN. DESPITE ONE PREVIOUS FALLING OUT, GALAN AND ARRIETA ARE FAST FRIENDS. GENADO IS RESPECTED AT ECOPETROL AND HAS ACCESS TO PRIVILEGED INFO THROUGH FORMER SUBORDINATES.

7. SNAM PROGETTI OFFICIALS HAVE BEEN ACTIVE IN VISITING

COLOMBIA. SON OF MARIO GALAN GOMEZ, PRES, ECOPETROL (THE BUYER), IS COLOMBIAN AMBASSADOR TO ITALY.

8. ACCORDING CARNEVALE AND OTHERS, FOSTER WHEELER WILL BID OUT OF LONDON OFFICE, ASSISTED BY MADRID OFFICE. (PROJECT MGR IN MADRID IS JAVIER ANGURANO HILL, JEFE DE INGENIERIA, FOSTER WHEELER IBERIA S.A.). IN EVENT FW VICTORY, FIXED FEE WOULD GO PRINCIPALLY TO UK, BUT MAJORITY OF EQUIPMENT WOULD REPORTEDLY COME FROM USA. FW BELIEVES LONDON OFFICE WILL BENEFIT FROM LOWER RATES FOR ENGINEERING AND SOME EQUIPMENT. ECOPETROL DEMAND IS FIXED FEE FOR SERVICE PLUS PROCUREMENT OF ALL EQUIPMENT AND MATERIALS ON REIMBURSABLE BASIS.

9. BACKGROUND, USDOLS 125 MILLION EXPANSION BARRANCABERMEJA REFINERY COMPLEX. CHIEF PROJECTS IN EXPANSION, FOR WHICH UOP

NOTE BY OC/T: NOT PASSED EXIMBANK

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ACTION ARA-10

INFO OCT-01 EUR-06 EA-07 ISO-00 EB-05 DRC-01 RSC-01 /031 W  
----- 082255

P R 011333Z MAR 74  
FM AMEMBASSY BOGOTA  
TO USDOC WASHDC PRIORITY  
INFO SECSTATE WASHDC 1540  
AMEMBASSY MADRID  
AMEMBASSY LONDON  
AMEMBASSY TOKYO  
AMCONSUL CALI  
AMCONSUL MEDELLIN

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ALSO DOING OFF-SHELF DESIGN, ARE:

A. BALANCING PLANT, US 80 MILLION. BID DEADLINE APR 22. PRE-QUALIFIED BIDDERS PARSONS (USA), TECHNIPETROL (ITALY), COMPRIMO (NETHERLANDS), AND SIMON CARVES LTD (UK).

B. AMPLIFICATION OF EXISTING ETHYLENE PLANT, US 30 MILLION.  
BID DEADLINE MAR 6. PREQUALIFIED BIDDERS ARE LUMMUS (PROJECT  
MGR D D MONTGOMERY), STONE WEBSTER (USA), FISH (USA), AND CTIP  
MCKEE (ITALY). 100,000 METRIC TONS PER YEAR. WILL CRACK ETHANE  
GAS OR NAPHTHA LIQUID.

C. EXPANSION OF EXISTING LOW-DENSITY POLYETHYLENE PLANT, US  
15 MILLION. 40,000 M/T PER YEAR. TO BE FED BY EXPANSION OF  
ETHYLENE PLANT. DOW IS CONCLUDING CONTRACT NEGOTIATIONS WITH  
ECOPETROL, WON AWARD PARTLY ON BASIS LONG-TERM KNOW-HOW  
AGREEMENT WITH ECOPETROL AND EXCLUSIVE MARKETING  
ARRANGEMENT FOR ORIGINAL PLANT.

10. ADDITIONAL BACKGROUND. FOLLOWING PROVIDES  
FRAME OF REFERENCE ON OTHER OIL PROJECTS NOT  
COVERED EXTENSIVELY THIS MESSAGE.

A. NEW POLYETHYLENE PLANT (HIGH DENSITY),  
CARTAGENA, US\$14 MILLION. DOW INTERESTED IN JOINT  
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VENTURE WITH ECOPETROL. 30,000 METRIC TONS A  
YEAR. PLANT WOULD USE FEEDSTOCK FROM ENLARGED  
ETHYLENE PLANT. DOW WOULD TRANSPORT ETHYLENE ON  
BARGES DOWN MAGDALENA RIVER TO CARTAGENA.  
ACCORDING LOCAL DOW MANAGER RAFAEL PAVIA, THIS  
WOULD BE FIRST HIGH-DENSITY POLYETHYLENE PLANT IN  
ANDEAN GROUP AND WOULD, AS JOINT VENTURE, BENEFIT  
FROM ANDEAN PACT TARIFF PREFERENCES. PAVIA SAID  
NATIONAL PLANNING DEPT HAD APPROVED INVESTMENT  
BUT ECOPETROL APPROVAL STILL PENDING. HOECHT OF  
GERMANY REPORTEDLY MAKING COMPETITIVE OFFER TO  
ECOPETROL FOR JOINT VENTURE, AND PETROQUIMICA  
COLOMBIANA (JOINT VENTURE WITH DIAMOND SHAMROCK)  
ALSO INTERESTED.

B. PROPOSED NEIVA REFINERY, US\$25 MILLION.  
25,000 BARRELS PER DAY. CRUDE TOPPING UNIT  
FOLLOWED LATER BY SOME TREATMENT LIKE  
HYDRO-CRACKING. WOULD BE JOINT VENTURE, 50 PERCENT  
PETROBRAS (BRAZILIAN), 50 PERCENT TENNECOL (COLOMBIAN).  
PROJECT NEBULOUS.

C. EXPANSION CARTAGENA REFINERY, US\$12 MILLION.  
MOST LIKELY PLAN IS FOR INTERCOL (ESSO) AND  
ECOPETROL TO BECOME PARTNERS FORMING NEW COMPANY,  
50 PERCENT EACH. CAPITAL TO BE US\$24 MILLION, WITH  
ECOPETROL PAYING IN US\$12 MILLION CASH NEXT 24  
MONTHS. INTERCOL WILL SELL EXISTING REFINERY TO  
NEW COMPANY FOR US\$40 MILLION OVER NEXT 5 YEARS.  
US\$12 MILLION REVAMPING WILL PERMIT INCREASED  
OUTPUT OF 5,000 BARRELS PER DAY GASOLINE.  
ANTICIPATED COMPLETION DATE, MAY 1975. OTHER  
POSSIBILITIES ARE FOR ECOPETROL TO PURCHASE

REFINERY OUTRIGHT AND THEN EXPAND OR FOR ESSO TO COMPLETE EXPANSION BEFORE SELLING ALL OR PART TO ECOPETROL.

D. TERAPHALIC ACID (TPA) PLANT, RAW MATERIAL FOR POLYESTER, CALI. NO FURTHER INFO.

E. PARAXYLENE PLANT, BARRANCABERMEJA. NO FURTHER INFO.

11. OUTLOOK FOR US BIDDERS, TUMACO AND BARRANCABERMEJA PROJECTS. TO GATHER INFORMATION AND UNDERSCORE USG INTEREST IN THESE MULTIMILLION DOLLAR PROJECTS, COMATT SPOKE FOUR TIMES IN PAST LIMITED OFFICIAL USE

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SIX WEEKS WITH MARIO GALAN GOMEZ, PRESIDENT, ECOPETROL. EMBOFFS MADE CONTACTS AS WELL WITH OTHER KEY ECOPETROL OFFICIALS. GALAN OBVIOUSLY DISAPPOINTED THAT FLUOR HAS ELECTED NOT TO BID TUMACO, ALLEGEDLY BECAUSE OF TOO MUCH WORK IN USA. HE EXPRESSED RESERVATIONS ABOUT EUROPEAN SUPPLIERS FOR RELUCTANCE TO PROVIDE MORE CONTINGENCY COSTS IN CONTRACTS. HE SAID ECOPETROL'S EXPERIENCE WITH JAPANESE WAS BAD AND HELD THAT NIIGATA HAD DONE POOR JOB ON A RECENT SMALL PLANT FOR DETERGENT CHEMICAL, WHICH PROVED TOO HARD CAUSING WATER POLLUTION. GALAN SPOKE WELL OF FOSTER WHEELER AND SAID HE LIKED DEALING WITH USA. THE TRADE BELIEVES THAT ANOTHER PLUS FOR FW IS ITS LICENSOR RELATIONSHIP WITH THE INFLUENTIAL COLOMBIAN FIRM DISTRAL S.A., WHICH WOULD UNDERTAKE SOME METALWORKING ASPECTS OF TUMACO PROJECT.

12. GALAN SAID THAT IN 1973 HE HAD FRUITFUL DISCUSSIONS WITH QUOTE NUMBER TWO MAN UNQUOTE (PRESUMABLY WARREN GLICK) AT EXIMBANK. HE INDICATED THAT AS RESULT EXIMBANK HAD TENTATIVELY OFFERED LINE OF CREDIT FOR US\$100 MILLION. GALAN SAID THAT HE HAD ALWAYS BEEN SATISFIED WITH EXIMBANK PARTLY BECAUSE HE FELT MINIMUM NEED TO QUOTE EXPLAIN HIS FINANCIAL SITUATION UNQUOTE. HE MENTIONED THAT BECAUSE COLOMBIAN FUEL OIL EXPORTS ARE NOW COMMANDING US\$14 A BARREL VERSUS US\$2.50 IN JUNE, ECOPETROL'S FOREIGN EXCHANGE EARNING FOR 1977 HAVE BEEN REVISED UPWARD TO ABOUT US\$117 MILLION. GALAN SAID HE WISHED TO EXPLORE WITH EXIMBANK POSSIBILITY OF LARGER LINE OF CREDIT. (WE UNDERSTAND HE IS CONTEMPLATING ANOTHER VISIT TO EXIM SOON AND HAVE ASKED HIM TO LET US KNOW HIS SCHEDULE). HE ADDED THAT HE WAS ALSO LOOKING AT INTERNATIONAL FINANCIAL INSTITUTIONS SUCH AS IDB AND IBRD BUT CONSIDERED THEM LESS ECONOMICAL THAN EXIM, ALLEGEDLY BECAUSE OF CURRENT

INTEREST RATES (BEFORE RECENT INCREASE).

13. EMB PROPOSES FOLLOWING EIGHT-POINT ACTION  
PLAN FOR TUMACO AND BARRANCABERMEJA PROJECTS.  
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THOUGHT BID DEADLINE IS CLOSE FOR TUMACO (MAR 5) THER IS  
REMOTE POSSIBILITY EXTENSION. IN ANY CASE  
EVALUATION PERIOD, WHICH GALAN EXPECTS COMPLETE  
LATE APRIL, IS CRITICAL.

A. USDOC VERIFY FROM FOSTER WHEELER EXTENT  
TO WHICH FW WELCOMES USG SUPPORT ON TUMACO.  
PROJECT MANAGER IS VICE PRESIDENT HANK FIELDINGS  
NEW JERSEY.

B. USDOC CONTACT FLUOR FOR INSIGHTS INTO  
DEALING WITH ECOPETROL (SEE PARA 11 ABOVE).

C. USDOC OCNTACTS UNIVERSAL OIL PRODUCTS (UOP)  
PROJECT MANAGER DARIO CARNEVALE (TEL ABOVE) TO  
ESTABLISH DISCREET WORKING RELATIONSHIP. CARNEVALE  
WELCOMES CONTACT IF HIS POSITIO  
E E E E E E E

## Message Attributes

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**Copy:** SINGLE  
**Draft Date:** 01 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**TAGS:** BEXP, CO, CCP  
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